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ILLINOIS DEPARTMENT OF LABOR
BUREAU OF EMPLOYMENT SECURITY
DIVISION OF UNEMPLOYMENT COMPENSATION

THE ILLINOIS UNEMPLOYMENT
TRUST FUND, 1939-1975

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The Illinois Unemployment Trust Fund, 1939-1975

Introduction

This report gives the past trends, current status and future outlook of the Illinois Unemployment trust fund. The past trends and current status are shown in Tables 1, 2, and 3. Three alternative economic assumptions are made for the period from 1973 through 1975, and are set forth in Table 4. The resulting future values of the fund under these assumptions are developed in Tables 5 and 6. Table 5 indicates the future values of the fund resulting from the anticipated receipts and expenditures. Table 6 shows the factors determining the contribution rates and the resulting contributions based on the taxable wages assumed in Table 4.

In all its calculations and assumptions, this year's report includes the effects of the enactment of Public Law 91-373, the Employment Security Amendments of 1970. This act provided for increases in the number of covered workers and employers and in the taxable wage base. It also included provisions for temporary extensions of benefit payments in times of State and/or national high unemployment. The cost of the extended benefits is shared equally by the Federal and State governments. The 1971 Amendments to the Illinois Unemployment Compensation Act made these provisions effective in Illinois beginning on January 1, 1972.

Past Trends

The fund had declined from a high of \$514 million on June 30, 1953 to a low of \$316 million by June 30, 1959 (Table 1). Improved economic conditions and the 1959 amendments to the Unemployment Compensation Act, caused it to rise to \$564 million as of June 30, 1967. However, the very

low contribution rates during 1967-1970 and the increase in benefit payments in 1970, 1971, and early 1972 resulted in a reduction of its balance to \$235 million as of June 30, 1972.

Current status of the fund

On June 30, 1972 the balance of the fund was 0.87 percent of the total wages covered by unemployment compensation in the year ended December 31, 1971. The highest benefit cost rate in any 12-month period since December 31, 1957 was 1.73 percent of total wages for each of the 12-month periods ending with January 31 and February 28, 1959. The balance, expressed as a percentage of total wages was, therefore, as of the end of fiscal year 1972, just over 0.5 times this historical high cost rate.

According to the report^{1/} of the Interstate Conference of Employment Security Agencies, the Illinois trust fund balance as of January 1, 1971, expressed as a percentage of the total covered wages of calendar year 1970 was the lowest of all fifty-two jurisdictions^{2/} in the nation. Expressed as a multiple of

1/ Minutes of the First Meeting of the Benefit Financing Committee, Interstate Conference of Employment Security Agencies, May 9-11, 1972, Appendix Table 1.

2/ Puerto Rico, District of Columbia and the 50 States.



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the highest cost rate of the 12-month periods ending in January and February of 1959, this "reserve ratio" was lower than for any other state except Michigan.

During 1971 the five States of Maine, Connecticut, New Jersey, Michigan and Washington suffered severe recessions while Illinois was relatively fortunate. Both the "reserve ratio" and "reserve multiple" continued their declines in Illinois, but much steeper declines in these measurements occurred in the above five States. As a result, Illinois, though even lower in its reserve measures than previously, now ranks above only these five States.

Assumptions for the future

To estimate future values of the fund, assumptions were made concerning total wages, taxable wages, benefit cost rates, and the unadjusted state experience factors between now and 1975. The values of these items over the past years as shown in Tables 1 and 2 served as useful background in deriving the assumptions for the future. Three different sets of assumptions are set forth in Table 4 and are used in estimating the values of the

trust fund in 1973-75. They are identified as follows:

1. Prosperity in 1974
2. Mild recession in 1974
3. Severe recession in 1974

These assumptions are not predictions, but are the specific values assigned to represent broad classes of economic conditions. They, thus, describe three particular types of economic conditions. They do not cover all possibilities or even the complete range of possibilities. What actually happens depends on how closely actual unemployment insurance experience conditions match the assumed conditions. The assumptions are, nevertheless, useful in identifying sets of conditions which may be described as prosperity, mild recession and severe recession.

Under the assumption of prosperity, benefit cost rates as percentages of total wages are expected to be considerably below the 1972 rate (estimated as 0.73 percent) after 1972. Specifically it is assumed that the cost rate will be 0.69 percent in 1973 and 0.50 percent in 1974 and 1975.

Under the assumption of a mild recession in 1974, the benefit cost rate as a percentage of total covered wages will be 0.80 percent in 1973, will rise to 0.97 percent in 1974, and will drop back to 0.85 percent in 1975 as recovery begins (Table 4).

Under the assumption of a severe recession in 1974, the benefit cost rate as a percentage of total covered wages will be 0.82 percent in 1973, will rise to 1.70 percent in 1974, and drop back to 1.30 percent in 1975.

The recovery is thus assumed to be relatively greater than in a mild recession. These relative rates of recovery are suggested by historical experience.

Benefit cost rates under the recession assumptions include the effect of the extended benefits provided for by the 1971 Amendments in the Law, requiring triggering in of temporary extended benefit periods. Part of the additional cost of the extension of the benefit periods will be borne by the federal government. All these factors have been taken into consideration in making the assumptions in Table 4.

Future values of the fund

The changes in the unemployment trust fund during the period from January 1, 1972 through December 1975 (Table 5) were estimated on the basis of the assumptions of Table 4.

In May of 1972, with the crediting of the contributions received from the first quarter assessments, the downward trend of the trust fund balance was arrested at about \$179.5 million. Contributions for this period reached a new high, as the average contribution rate had increased from 0.9 percent for 1971 to an estimated 1.5 percent for 1972, and there was a large increase in taxable wages resulting from the combination of economic expansion, extended coverage and a higher taxable wage base. By July 31, the fund balance for June 30, 1972 was \$235.4 million and by December 31, 1972 the preliminary balance stood at \$256.4 million. From this figure, future values are projected, based on the three sets of economic assumptions referred to in the preceding section.

A further increase in the average contribution rate to 2.3 percent is anticipated for 1973. This is based on the experiences of fiscal years 1970, 1971 and 1972. In the "prosperity" assumption, the rate is expected to increase to 2.5 percent for 1974 based on fiscal years 1971, 1972 and 1973 and then drop to 1.6 percent for 1975. This would be the first decline in the average contribution rate since 1968 when it reached a low of 0.27 percent.

The increasing average contribution rate and the decreasing benefit cost rate associated with prosperity will result in increasing trust fund balances. It is estimated that the balance will be \$335.5 million by December 31, 1973, \$518.8 by December 31, 1974, and \$584.1 million by the end of 1975. By June 30, 1975, it will exceed \$450,000,000, and if the current law is unchanged, the automatic adjustment features of the present formula will subsequently reduce contribution rates and resultant trust fund balances.

As of June 30, 1972 the fund's balance, expressed as a percentage of total covered wages for the 12-month period ending 6 months earlier was 0.87, and by the end of the year it was estimated to have dropped to 0.86. Under the assumption of prosperity, this percentage would rise to 1.00 by the end of 1973, 1.44 by the end of 1974, and 1.52 as of December 31, 1975. Expressed as multiples of the highest benefit cost rate of recent years, these percentages equal 0.50 for 1972, 0.58 for 1973, 0.83 for 1974 and 0.88 for 1975. Thus, when the reserve ratio is still less than the highest recent benefit cost rate, the formula as it now exists in law would effect a reduction of the trust fund balance because of the current adjustment base of \$450,000,000.

Under the mild recession assumption, the trust fund balance will increase, even while benefits increase, because contributions will remain high. As of December 31, 1973, it will stand at \$296.3 million. At the ends of 1974 and 1975, it will be at \$321.2 and \$361.1 million respectively. These levels expressed as percentages of total covered wages of the preceding fiscal year are: 1973, 0.90; 1974, 0.95; and 1975, 1.03. Expressed as multiples of the highest benefit cost rate, these are 0.52, 0.55 and 0.60.

Under the severe recession assumption, only the high contribution rates resulting from the experience of the rate determination periods for 1973 and 1974 rate years, prevent the fund from becoming insolvent. Even so, it sinks to dangerously low levels. As of December 31, 1973 it stands at \$288.4 million; by the end of 1974 it is at \$82.6 million; and by December 30, 1975 it drops to \$72.2 million. As percentages of total covered wages, these balances are 0.88, 0.25 and 0.22 respectively. As multiples of the highest recent cost rate these are 0.51, 0.14 and 0.13.

Conclusion

The Advisory Board in its report of 1959 said: "In making the recommendations set forth above, the Advisory Board is cognizant of the fact that a fund of \$450,000,000 by the end of 1961 is a minimum replenishment goal in view of the heavy demands that may be made on the fund in the event of an economic setback of unexpected severity. The Board is deeply concerned over the possible inadequacy of a \$450,000,000 fund in the event of a recession of unforeseen dimensions. Accordingly, the Board suggests the possibility, if unforeseen future circumstances deplete the fund to danger-

ously low levels, of applying for Federal advances under the Employment Security Administrative Financing Act of 1954 (the Reed Act)."

The Interstate Conference of Employment Security Agencies^{3/} suggests measuring the adequacy of the trust fund balance by the relationship between it and the total covered wages for the 12-month period ending six months before. It further advises that a desirable level for this "reserve ratio" when expressed as a percentage should equal from 1.5 to 3.0 times the highest 12-month benefit cost rate in recent experience. The highest such cost rate was 1.73 percent reached in the two 12-month periods ending in January and February 1959. The present reserve in the fund is, and will remain under all three assumptions of this study, when expressed as a percentage of total wages covered, well below this 1.5 - 3.0 range of multiples of 1.73 percent suggested by the Conference.

The Illinois Bureau of Employment Security has repeatedly pointed out this inadequacy of the trust fund. It has made several suggestions as to how this condition might be improved. In the last published Study of February 1971 it pointed out that, due to the growth of total wages paid in covered employment, the goal of \$450,000,000 when expressed as a percentage of total wages had been sharply reduced since 1959. Since that study, the reserve, measured by this criterion, has sharply declined due to its increased liability resulting from both the extension of coverage by the 1971 Amendments to the Unemployment Compensation Act and the expansion of the economy.

^{3/} Interstate Conference of Employment Security Agencies Report of the Committee on Benefit Financing, September 1959, pp. 22-23.

At the end of the Fiscal Year 1959, the fund's balance expressed as a percentage of total covered wages was 2.48 percent, or 1.43 times the high cost rate reached that year. This multiple decreased during 1960 and 1961 reaching a low point of 1.31 as of June 30, 1961. It then increased until it reached 1.77 on June 30, 1966. Since then it has continually decreased to its present low level of 0.50 as of June 30, 1972, with the estimate that even under the assumption of prosperity it will reach only 0.87 by June 30, 1975. This is still well below the range of 1.5 - 3.0 suggested by the Interstate Conference.

As long as the base which regulates the state experience factor adjustment, and to which the fund gravitates as a result of this adjustment, remains at the statutory level of \$450,000,000, the Fund will continue to become less and less adequate as total wages and, therefore, the potential liability of the Fund increase. As the 1971 and several previous Trust Fund Study reports had predicted, a recession in 1971, following a long period of low contribution rates brought about by long-continued prosperity, and the suppressing effect of the \$450,000,000 base on fund income, did bring the balance in the Fund to a dangerously low level. That the Fund did not fall even lower, was due to the combined effect of two circumstances:

1. The economic contraction of 1969-72 only briefly became severe enough to be labeled a recession. It never became as severe as that identified by our "mild recession" assumptions. Nevertheless, it was of long duration and followed a long period of prosperity which extended from 1963 through 1968. This long period of prosperity led to very low contribution rates during the

prosperous years 1966, 1967 and 1968. With the advent of the long business contraction of 1969-72, the rates began to climb as one year of prosperity dropped out and was replaced by a recession year in the successive rate determination periods for the rate years 1970, 1971, 1972 and 1973. Even under the assumption of a severe recession in 1974, this rise in contribution rates will continue through 1975. It is this rise in contribution rates during a period of recession which kept and will keep the Fund from falling to even more seriously low levels.

2. The second circumstance which temporarily kept the Fund balance above an even more dangerously low level was the extension of the coverage of the law to additional employers and workers, and the increase in the taxable wage base, effective at the beginning of 1972. Together, these two events sharply increased contribution receipts even before economic expansion became significant. The beneficial effect of these changes was heightened by the fact that practically no new liability was imposed on the Fund by them until late in 1972, after the effects of economic expansion began to be materially noticeable. These saving factors, however, must be regarded as unique; their recurrence in the future cannot be predicted, since they resulted solely from changes in the law.

The 1965 Trust Fund Study pointed out that the \$450,000,000 statutory measure of base adequacy will not, even during an extended period of prosperity, permit the accumulation of adequate reserves to avoid sharp increases in contribution rates after a recession. The experience of the last few years has confirmed this fact. After a long period of prosperity during which Illinois contribution rates were the lowest in the nation, the average Illinois contribution rate rose sharply, for 1971, again for 1972, and still again for 1973. The sharp fluctuation of

Illinois rates over the years is shown in Table 3. Comparison with the rates for the United States as a whole, and for other large industrial states, reveals that the Illinois rate, which was long the lowest or close to the lowest, is rising, even with special statutory adjustments, relatively fast. The following table, prepared by the Ohio Bureau of Employment Security in July of 1972, shows contributions as a percent of total wages in covered employment for the United States and seven industrial states for the last six years.^{4/}

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
United States	.86	.76	.68	.64	.70	.80
Illinois	.19	.12	.18	.21	.34	.63
California	1.58	1.55	1.31	1.18	1.20	1.40
Massachusetts	1.18	1.16	1.02	.99	1.10	1.20
Michigan	.80	.63	.65	.59	.70	1.40
New Jersey	1.05	1.07	.97	1.04	1.10	1.10
Ohio	.60	.45	.37	.39	.40	.70
Pennsylvania	1.40	.78	.73	.65	.80	.90

For two of the six years, 1967 and 1968, Illinois contributions as a percentage of total covered wages were lower than in any other State or jurisdiction.^{5/} For 1969, only Texas had a lower rate than Illinois, and for 1970, only Texas and Virginia. For 1971, however, preliminary information places Illinois between 40th and 50th among the 52 jurisdictions (1st=highest, 52nd=lowest), and for 1972 between 32nd and 43rd. Thus, the relative sharpness of the rise in the Illinois average contribution rate is dramatically apparent. Also notable are the lowest rates during the very good years of 1967 and 1968, and the very low relative rates during the whole 1963-70 period.

^{4/} Figures for 1971 and 1972 are estimates by the Ohio agency, except for Illinois; the Illinois 1971 figure was computed and the 1972 figure estimated by the Illinois Bureau of Employment Security.

^{5/} Puerto Rico, District of Columbia and the 50 states.

The 1971 Trust Fund Study reemphasized suggestions and recommendations which had been made in every study during the preceding decade. The present study reiterates these conclusions:

1. It is most desirable that the Trust Fund base for state experience factor adjustment be expressed as a percentage of total covered wages because any fixed dollar amount tends to become inadequate as total wages increase over the years.

2. The fund balance expressed as a percentage of total covered wages should be between 1.5 and 3 times the 1.73 percent benefit cost rate of the twelve-month periods ending in January and February 1959.

3. The funding system should provide for countercyclical financing. If this cannot be obtained, due to problems in forecasting, minimal rate fluctuation from year to year is highly desirable from the viewpoint of the effect on the economy and the welfare of the employer.

4. The effectiveness of the experience rating system should be maintained.

Past experience with respect to these four considerations may serve as a guide for future decisions. As of June 30, 1959 the \$450 million base was approximately two times (2.04) the highest benefit cost rate in the preceding decade. After the provision for the \$450,000,000 base became law, contribution rates rose to a relatively high level. In spite of the desirability of countercyclical financing, contribution rates continued relatively high throughout the 1961-62 recession, and remained high until the goal was nearly attained on June 30, 1964 (\$440 million). Experience rating was partially ineffective. When contribution rates are high, there is an increase

in the number of employers whose contributions are not commensurate with their own experience with unemployment risk, because of the statutory ceiling on rates (2.7 or 4 percent). The burden of financing the program is, to that extent, shifted to other employers.

The potential liability of the fund has increased substantially since 1959. This is evidenced by increases in the number of covered workers, total wages, and the average weekly benefit amount. The increase of the number of covered workers by about 10 percent in 1972, which was required by the new Federal Law, further extended this liability. The number of covered workers had risen from 2.6 million in 1959 to 3.2 million in 1968 and remained at about that level during 1969-71. In 1972, it exceeded 3.6 million. Total wages, generally recognized as a benchmark of potential liability, increased about 112 percent from \$13.8 billion in 1959 to an estimated \$29.3 billion in Fiscal Year 1972, which was lower than that which might have been expected if full employment had prevailed. The average weekly benefit amount for total unemployment rose from \$30.70 in 1959 to about \$54.40 in Fiscal 1972. It would have been about \$54.79 in that fiscal year, if the maximum weekly benefit amounts which became effective February 6, 1972 had been in effect throughout the year.

A further indication of the inadequacy of the present goal for the trust fund is its relation to the highest cost rate expressed as a percentage of total wages. In 1959, the \$450,000,000 goal represented about 3.53 percent of the total covered wages of the preceding year. This was about 2.04 times the highest benefit cost rate experienced during the preceding decade. The goal now represents only 1.54 percent of the total covered wages of Fiscal 1972. This is considerably less than the percen-

tage of total wages paid as benefits during the 12-month periods ending in January and February 1959. Thus the goal does not equal the highest cost rate.

The timing of any change in the goal is important in order to conform effectively with the guidelines presented above. If the goal is left at \$450 million, it will become even less adequate as the potential liability of the fund increases. The longer this goal exists, the greater is the likelihood that the Fund balance will fall to a dangerously low level during a recession. A recession will once more cause a sharp increase in contribution rates. If, on the other hand, the goal is raised, rates will rise more gradually.

For these reasons it is desirable to raise the Fund goal to a higher level, to be used in the determination of the contribution rates for 1974 and thereafter. The most desirable goal is one that is not expressed as a dollar amount, because eventually any amount so established will become inadequate as total covered wages grow; the goal should be expressed as a percentage of total wages. So expressed, it should equal at least 1.5 times the highest cost rate actually experienced since 1958. As of June 30, 1973, the achievement of such a goal would have required a Fund balance of about \$831,000,000.

An immediate unrestricted change to such a goal would bring about a steep rise in the average contribution rate. To limit the rise to more moderate proportions, it may be desirable to attempt to reach such a fund goal over a three year period.

TABLE 1. Unemployment trust fund on June 30, 1939-1972, in relation to total and taxable wages in preceding calendar year and to highest benefit cost rate in last decade, Illinois

June 30 of specified year	Unemployment trust fund	wages in covered employment in preceding calendar year in thousands of dollars		Trust fund as percentage of wages		Multiple of highest benefit cost rate $\frac{3}{4}$
		Total	Taxable	Total	Taxable	
1939	\$153,885,221	\$2,216,673	\$2,216,673	6.94	6.94	$\frac{4}{4}$
1940	185,971,892	2,441,940	2,441,940	7.62	7.62	4.88
1941	211,340,903	2,774,285	2,511,402	7.62	8.42	4.31
1942	273,597,887	3,457,599	3,113,837	7.91	8.79	4.47
1943	347,715,460	4,161,060	3,722,029	8.36	9.34	4.72
1944	420,590,260	4,881,671	4,310,512	8.62	9.76	4.87
1945	499,352,522	5,310,195	4,585,393	9.40	10.89	5.31
1946	484,370,799	5,285,114	4,534,436	9.16	10.68	5.18
1947	482,738,322	5,919,328	4,988,762	8.16	9.68	4.61
1948	497,649,559	7,024,543	5,710,006	7.08	8.72	4.00
1949	500,506,595	7,744,953	6,049,103	6.46	8.27	3.65
1950	447,355,476	7,450,300	5,802,689	6.00	7.71	3.39
1951	453,082,672	8,084,599	6,094,244	5.60	7.43	3.29
1952	478,725,952	9,151,576	6,607,404	5.23	7.25	3.08
1953	514,144,267	9,759,145	6,848,589	5.27	7.51	3.10
1954	484,957,728	10,656,613	7,220,883	4.55	6.72	2.68
1955	432,456,697	10,422,561	6,934,453	4.15	6.44	2.44
1956	451,217,483	11,279,839	7,244,201	4.00	6.23	2.35
1957	482,370,511	12,538,539	7,834,001	3.85	6.16	2.38
1958	419,502,270	13,069,450	7,942,281	3.21	5.28	1.98
1959	316,492,518	12,738,346	7,580,275	2.48	4.18	1.43

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TABLE 1. Unemployment trust fund on June 30, 1939-1972, in relation to total and taxable wages in preceding calendar year and to highest benefit cost rate in last decade, Illinois-Cont'd.

June 30 of specified year	Unemployment/ trust fund ^{1/}	Wages in covered employment in preceding calendar year in thousands of dollars ^{2/}		Trust fund as percentage of wages	Multiple of highest benefit cost rate ^{3/}
		Total	Taxable		
		Total	Taxable		
1960	\$331,769,127	\$12,807,108	\$7,934,995	2.40	4.18
1961	321,209,580	14,150,662	7,970,552	2.27	4.03
1962	344,545,556	14,253,511	7,821,911	2.42	4.40
1963	385,478,225	15,011,634	8,045,107	2.57	4.79
1964	439,684,727	15,560,025	8,146,800	2.83	5.40
1965	505,706,239	16,732,586	8,487,234	3.02	5.96
1966	554,568,375	18,090,670	8,983,603	3.07	6.17
1967	564,498,091	19,985,209	9,684,378	2.82	5.83
1968	529,137,542	21,161,933	9,965,895	2.50	5.31
1969	504,165,405	22,818,446	10,320,871	2.21	4.88
1970	448,624,770	24,906,153	10,742,859	1.80	4.18
1971	325,196,532	25,897,924	10,639,935	1.26	3.06
1972	235,370,660	27,134,236	10,411,290	0.87	2.26

^{1/} Source: Illinois-Department of Labor, Annual Report, (Fiscal Year 1972) p. 104. The figures for 1939-56 do not include accrued interest on the trust fund for the last quarter nor amounts due from the federal government for reimbursement of benefits. Later figures add these items.

^{2/} Ibid. p. 100, and trust fund studies of previous biennia.

^{3/} Obtained by expressing the balance of the unemployment trust fund as of June 30 as a percentage of the total wages paid in covered employment during the preceding calendar year and dividing this by the highest cost rate expressed as a percentage of total wages of any 12-month period in the last decade. Starting in 1969 in accordance with the recommendation in U.I.P.L. No. 1087, issued by the U. S. Department of Labor in November 1970, this divisor has been changed to the highest benefit cost rate since December 31, 1957. The "highest cost rate" was 1.56 percent as of June 30, 1940; 1.77 percent with respect to June 1941 through June 1950; 1.70 percent from June 1951 through June 1956; 1.62 percent from June 1957 through June 1958; and 1.73 percent since June 1959.

^{4/} Since benefits started July 1, 1939, a benefit cost rate for a 12-month period did not exist as of June 30, 1939.

TABLE 2. Benefits, benefit cost rate, state experience factor, and average contribution rate, Illinois, 1939-1972

Year	Benefits in thousands of dollars	Benefit cost rate		State experience factor			Average contribution rate (percent of taxable wages)
		Percentage of total wages	Percentage of taxable wages	Unadjusted	Adjustment (percent)	Adjusted	
1939	\$ 16,783	.69	.69	5/	5/	5/	2.70
1940	43,565	1.57	1.73	5/	5/	5/	2.70
1941	28,367	.82	.91	5/	5/	5/	2.70
1942	38,105	.92	1.02	5/	5/	5/	2.70
1943	10,035	.21	.23	18	0	18	1.53
1944	6,972	.13	.15	19	0	19	1.70
1945	36,359	.69	.80	19	0	19	1.47
1946	77,542	1.31	1.55	18	-6	12	.79
1947	47,229	.67	.83	17	-5	12	.85
1948	50,230	.65	.83	19	-4	15	1.05
1949	105,384	1.41	1.82	19	-6	13	1.01
1950	93,020	1.15	1.53	19	-6	13	.76
1951	56,877	.62	.86	19	-2	17	1.09
1952	57,345	.59	.84	20	-2	18	1.10
1953	51,085	.48	.71	20	-4	16	.90
1954	133,369	1.28	1.92	19	-7	12	.61
1955	78,115	.69	1.08	17	-5	12	.72
1956	61,398	.49	.78	18	0	18	1.10
1957	80,307	.61	1.01	18	-2	16	1.00
1958	216,545	1.70	2.86	19	-4	15	.78
1959	129,708	.94	1.63	18	0	18	1.06

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TABLE 2. Benefits, benefit cost rate, state experience factor, and average contribution rate, Illinois, 1939-1972 - Concl.

Year	Benefits in thousands of dollars	Benefit cost rate		State experience factor			Average contribution rate (percent of taxable wages)
		Percentage of total wages	Percentage of taxable wages	(percent)			
				Unadjusted	Adjusted		
1960	\$136,148	.96	1.71	22	40	2.05	
1961	184,189	1.29	2.35	22	39	2.07	
1962	144,917	.97	2.80	23	42	2.20	
1963	145,942	.94	1.79	22	36	2.05	
1964	115,128	.69	1.36	23	33	1.93	
1965	89,497	.49	1.00	23	25	1.36	
1966	70,514	.35	.73	22	14	.81	
1967	90,273	.43	.91	22	7	.41	
1968	92,797	.41	.90	21	4	.27	
1969	89,415	.36	.83	21	9	.41	
1970	179,940	.69	1.69	21	13	.54	
1971	230,360 7/	.85	2.21	22	23	.88	
1972	233,269 8/	.73	1.73	24	34 9/	1.50	

1/ Source: For 1939-1970 data, United States Department of Labor, Manpower Administration, Handbook of Unemployment Insurance Financial Data, 1938-1970 (Revised Edition, 1971.) Succeeding data as indicated.

2/ Includes regular benefits, temporary emergency State benefits and extended benefits; adjusted for voided checks and for transfers under the interstate combined wage plan.

3/ For wages in 1939-1971 see Table 1. For 1972, total wages were estimated as \$32,000,000,000 and taxable wages were estimated as \$13,500,000,000.

4/ Benefit payments began July 1, 1939.

5/ None. Experience rating began in 1943.

6/ Includes effect of war risk contributions.

7/ Source: Illinois Bureau of Employment Security.

8/ Estimated.

9/ By legislative action, the calculated state experience factor of 42 percent was reduced to 34 percent for the purpose of determining 1972 contribution rates.

TABLE 3. Average employer contribution rate
United States, Illinois and selected industrial states, 1938-1973

Calendar year	United States	Illinois	California	Massachusetts	Michigan	New Jersey	New York	Ohio	Pennsylvania
1938	2.70	2.70	2.70	2.70	3.00	2.70	2.93	2.70	2.70
1939	2.72	2.70	2.70	2.70	3.00	2.70	2.90	2.70	2.70
1940	2.69	2.70	2.70	2.70	3.00	2.70	2.70	2.70	2.70
1941	2.58	2.70	2.48	2.70	3.00	2.70	2.70	2.70	2.70
1942	2.19	2.70	2.45	1.52	1.69	1.64	2.70	1.25	2.70
1943	2.09	1.53	2.28	1.28	1.57	1.87	2.70	1.48	2.70
1944	1.92	1.70	2.17	0.94	1.17	1.85	2.70	1.70	1.22
1945	1.71	1.47	2.06	0.88	1.66	1.62	1.99	1.50	1.27
1946	1.43	0.79	2.00	0.88	1.28	1.65	1.81	1.26	1.22
1947	1.41	0.85	2.08	1.13	1.68	1.83	2.17	0.82	0.99
1948	1.24	1.05	1.76	1.31	1.85	1.54	1.37	0.70	0.88
1949	1.31	1.01	1.84	1.41	1.78	1.09	1.91	0.77	0.92
1950	1.50	0.76	2.41	1.91	1.36	1.26	2.70	1.04	1.04
1951	1.58	1.09	2.37	2.70	1.56	1.44	2.70	1.17	1.01
1952	1.45	1.10	2.09	2.70	1.52	1.49	2.35	1.14	1.04
1953	1.30	0.90	1.36	2.70	1.56	1.59	2.06	1.05	1.08
1954	1.12	0.61	1.38	2.00	1.28	1.52	1.57	0.61	1.09
1955	1.18	0.72	1.51	1.80	0.91	1.54	1.49	0.67	1.63
1956	1.32	1.10	1.50	1.71	1.28	1.64	1.49	0.74	2.24
1957	1.31	1.00	1.34	1.55	2.04	1.73	1.77	0.72	1.55
1958	1.32	0.78	1.30	1.53	2.13	1.90	1.60	0.75	1.96
1959	1.71	1.06	2.04	1.81	2.57	2.00	1.99	1.39	2.70
1960	1.88	2.05	1.96	1.88	2.88	2.20	2.25	1.48	2.96
1961	2.06	2.07	2.19	2.15	2.90	2.43	2.89	1.43	3.23
1962	2.36	2.20	3.08	2.61	2.98	2.53	3.44	2.12	3.26

(Continued on next page)

TABLE 3. Average employer contribution rate
United States, Illinois and selected industrial states, 1938-1973 (Concluded)

Calendar year	United States	Illinois	California	Massachusetts	Michigan	New Jersey	New York	Ohio	Pennsylvania
1963	2.31	2.05	3.05	2.49	2.96	2.43	3.24	2.09	3.19
1964	2.21	1.93	3.02	2.70	2.63	2.36	2.69	2.86	3.06
1965	2.12	1.36	2.97	2.61	2.30	2.33	3.04	2.46	2.96
1966	1.91	0.81	2.87	2.53	2.14	2.29	2.55	2.13	2.75
1967	1.61	0.41	2.82	2.07	1.55	2.20	1.94	1.33	2.45
1968	1.47	0.27	2.84	2.10	1.31	2.07	2.03	1.00	1.41
1969	1.38	0.41	2.49	1.85	1.39	2.06	1.76	0.86	1.39
1970	1.34	0.52	2.32	1.93	1.29	2.15	1.67	0.93	1.29
1971*	1.5	0.9	2.2	1.9	1.6	2.2	2.1	1.0	1.5
1972*	1.6	1.5	2.9	2.3	3.2	2.3	2.3	1.3	1.8
1973*	INA	2.3	INA	INA	INA	INA	INA	INA	INA

* Estimates, INA means "Information not available" at time of publishing.

Source: United States Department of Labor, Manpower Administration, Handbook of Unemployment Insurance Financial Data, 1938-1970.

TABLE 4. Assumptions for estimation of Illinois unemployment trust fund in 1973-1975

Year	Total wages (millions of dollars)	Taxable wages	Benefits ^{1/} (millions of dollars)	Benefit cost rate ^{1/}		Unadjusted state ex- perience factor (percent)
				Percentage of total wages	Percentage of taxable wages	
1972	\$32,000	\$13,500	\$233.3	.73	1.73	24
1973	34,750	13,800	Prosperity in 1974			
1974	37,250	14,100	240.0	.69	1.74	26
1975	39,750	14,400	186.0	.50	1.32	25
			199.0	.50	1.38	24
1973	33,500	13,300	Mild recession in 1974			
1974	34,500	12,900	268.0	.80	2.02	26
1975	35,500	13,000	335.0	.97	2.60	25
			302.0	.85	2.32	26
1973	33,000	13,100	Severe recession in 1974			
1974	32,000	12,400	271.0	.82	2.07	26
1975	34,000	12,600	544.0	1.70	4.39	25
			442.0	1.30	3.51	27

^{1/} Both estimates for 1972 and assumed figures for subsequent years include the State share of extended benefits, where applicable. This share was about \$13,000,000 in 1972.

TABLE 5. Unemployment trust fund,^{1/} Illinois, 1972-1975, subject to assumptions of Table 4

Year	Amounts are in millions of dollars				Unemployment trust fund		
	Receipts		Benefits	Unemploy- ment trust fund December 31 ^{2/}	Total wages in year ended June 30	Percentage of total wages	Multiple or highest cost rate ^{3/}
	Total	Contribu- tions					
1972	\$214.2	\$203.0	\$11.2	\$233.2	\$256.4	\$29,674	.86
1973	319.2	307.1	12.1	240.0	335.5	33,576	1.00
1974	369.2	351.1	18.1	186.0	518.8	35,943	1.44
1975	264.4	240.8	23.6	199.0	584.1	38,443	1.52
Prosperity in 1974							
1973	308.0	296.6	11.4	268.0	296.3	32,980	.90
1974	359.9	347.3	12.6	335.0	321.2	33,977	.95
1975	341.9	327.9	14.0	302.0	361.1	34,977	1.03
Mild recession in 1974							
1973	303.0	291.8	11.2	271.0	288.4	32,741	.88
1974	338.2	331.4	6.8	544.0	82.6	32,523	.25
1975	431.7	428.3	3.4	442.0	72.2	32,954	.22
Severe recession in 1974							
1973	303.0	291.8	11.2	271.0	288.4	32,741	.88
1974	338.2	331.4	6.8	544.0	82.6	32,523	.25
1975	431.7	428.3	3.4	442.0	72.2	32,954	.22

1/ Figures for 1972 are preliminary. All others are estimates.

2/ Including interest for the last quarter which is credited after the end of the year. As a result of rounding, the difference between successive fund balances may not agree exactly with the difference between receipts and benefits.

3/ As defined in Table 1, footnote 3, the "highest cost rate" is 1.73 percent.

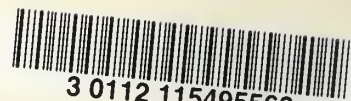
TABLE 6. Estimation of contributions for 1972-1975 in Illinois subject to assumptions of Table 4

Year	Estimated average benefit wage ratio (percent)	Adjusted state experience factor (percent)	Average contribution rate (percent)	Taxable wages in millions of dollars	Assessed contributions for year in millions of dollars
1972	5.652 <u>1/</u>	34 <u>2/</u>	1.50	\$13,500	\$202.5
			<u>Prosperity in 1974</u>		
1973	6.659	53 <u>2/</u>	2.31	13,800	317.4
1974	7.565	48	2.47	14,100	352.5
1975	7.058	26	1.56	14,400	230.4
			<u>Mild recession in 1974</u>		
1973	6.659	53 <u>2/</u>	2.31	13,300	305.9
1974	7.810	51	2.64 <u>3/</u>	12,900	348.3
1975	7.905	47	2.55 <u>3/</u>	13,000	325.0
			<u>Severe recession in 1974</u>		
1973	6.659	53 <u>2/</u>	2.31	13,100	301.3
1974	7.971	52	2.73 <u>3/</u>	12,400	334.8
1975	9.073	68	3.38 <u>3/</u>	12,600	428.4

1/ The average benefit wage ratios for 1972 and 1973 are actual. They are estimated for 1974 and 1975 on the basis of the assumptions in Table 4.

2/ The state experience factors for 1972 and 1973 were reduced by legislative action from the calculated 42 and 57 percent respectively.

3/ When average contribution rates are very high, the method of estimating them may not fully reflect the limiting effect of the maximum rates. It is possible that the average contributions for 1974 and 1975 may be as much as 5 to 7 percent lower under the recession assumptions.



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